When Jack Welch Was Deputy Director for Intelligence

Zefram Cochran

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Zefram Cochran (a pen name) is an officer in the Directorate of Intelligence currently serving as the deputy manager of an Agency program abroad.

Washington, DC, September 2017: The following are the remarks of former DDI Jack Welch's executive assistant, who recently served as a panelist at a joint CSI-DI conference celebrating the 65th anniversary of the Directorate of Intelligence.

Jack Welch became Deputy Director for Intelligence (DDI) after long service at General Electric. For me, a longtime student of management theory—especially Welch's—his arrival offered much promise. Amazingly, his arrival also led to the seeming fulfillment of an old dream of mine, service as the DDI's executive assistant. So forgive me, if I can't help but look back on his four years as DDI with fondness.

Welch had come on board at the DCI's request and because he felt it was his patriotic duty. He came at a time in which the global challenges we faced and the pace of technological change in the military and policy communities had created a climate in which many were asking how we should adapt. Nevertheless, when Welch arrived, he was greeted both with optimism and skepticism: optimism, because he had, after all, been hailed as one of the greatest—if not the greatest—business leaders of the time. During Welch's 20-plus years as head of GE, he defied conventional wisdom and pioneered some of the modern business strategies that transformed the way we did business late in the 20th century and early in this one. Skepticism was rife because Welch had no background in intelligence and because the importation to CIA of business management ideas had been less than successful (or popular) before.

Welch did find a steep learning curve on his arrival, but he wasn't one to sit idly by waiting for others to teach him. Quite the contrary, he had *many* ideas and wanted to leave a profound mark on the organization. Welch said he realized that business and government practices did not always mix well, but he nevertheless went about trying to implement as many ideas as he could. He proved to be a demanding and impatient taskmaster, leading some analysts to remember him as somewhat disruptive. Today, however, almost all analysts would agree that Welch fundamentally changed the way they did their work in the DI. In short, Jack Welch was a very successful DDI.

Embracing Change and Promoting Excellence

Welch once told me he wanted the DI to harness the power of change. When I asked him why he was so eager to embrace change, he replied, "The mind-set

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of yesterday's manager—accepting compromise, keeping things tidy—breeds complacency. Today's leaders must rally around a vision of what an organization can become." He added, "Organizations must always strive to get better and faster… or get beaten! At GE, because of the constantly changing environment, we had no choice but to always come up with new products and businesses. Also, we knew every process could be improved and productivity increased. I urged every employee to accept and embrace change and to see change for the growth opportunities it brings."

The problem with government, Welch thought, was that there was no competition and, therefore, there was never a real urgency to change and improve. However, he said the CIA has a crucial mission, so there should always be a feeling of urgency to change, adapt, and get better. After all, he argued, our nation's security depends on it. Welch often quoted his business maxim that every division at GE had to be "number one, number two" or get out of that specific business. He was fond of yelling across the table at meetings, "Change, before it's too late!"

The "Boundaryless" Organization

Welch pushed to create an organization in which analysts would search for new ideas—either inside or outside the Agency—and implement the best ones

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aggressively. Welch felt the DI should be a "boundaryless organization," as was GE, and that the DI should make sure ideas were exchanged at every one of its levels and parts. He told me, "I want to create an open space where ideas flow freely, independent of rank or function. The operative assumption today is that someone, somewhere, has a better idea. And an organization that is not searching for the best idea isn't open to ideas from anywhere and will find itself left behind, its survival at stake." He was confident that the "boundaryless" culture would eventually change the DI from having each office hoarding its best people to sharing its best.

For example, I remember during a regular idea-sharing meeting, an analyst suggested there should be a 'Google' for intelligence customers. Quickly, more and more analysts joined the discussion and tweaked the idea further. Soon, there were other meetings on the topic. As you know, this eventually revolutionized the way customers interact with DI analysts and took existing Web-based applications to new levels of innovation and utility. Instead of first tasking DI analysts, customers would just log-on a secure system and search for the latest products,

including charts and graphs, on any topic he wanted to know more about. Although many managers felt that policymakers were just too busy to "play with the computer," we found the opposite to be true; most customers were already accustomed to using 'Google,' 'Yahoo!,' and other internet search engines and quickly took up the tools to query the DI. For adopting the initiative, the DI received an "Excellence in Reinventing Government" award from the White House.

As part of his "boundaryless organization" initiative, Welch began having quarterly offsite meetings with his top DI managers for free-flowing exchanges of ideas. As he did at GE, Welch created a Corporate Executive Council (CEC) in the DI. The council included the top layers of DI management. By design, CEC sessions had neither formal agendas nor structure. Instead, a DI manager might distribute a short heads-up memo on possible discussion topics. CEC sessions were meant to foster learning by analyzing problems faced by one area in the DI and to pick up innovative and successful ideas from other sections. During CEC meetings Welch would emphasize: "Involve everyone and turn your employees into owners. Otherwise, they won't feel empowered to contribute to the overall effort." Welch insisted that for any initiative to work there had to be a passionate, all-consuming commitment from the top and that the DI had to put its *best* people on each initiative. He

also underlined the importance of CEC meetings by reminding everyone, "In my 20 years as CEO of GE, I missed only *one* CEC meeting. It was June 1995, and I was home in bed recovering from open-heart surgery!"

E-Business & Connectivity

After the success of the "CIA 'Google,'" Welch sought out ways to better leverage existing technology for use in the DI. As he did at GE, he insisted on greater customer support, simplicity, and connectivity. During a senior DI meeting, Welch remarked, "E-business changed GE to its core. We in the DI must always actively seek to adapt our business model to the internet. Whatever products we come up with, we must think how we can make them *Web-enabled*. We must manage in Internet time, using the latest cutting-edge technologies available."

One instant hit with policymakers was the "CIA Connect to the World" Web site. This was just a simple Web site with a world map through which customers could double click on particular spots and be hyperlinked to information on that country or region. For example, a customer could double click on China and find an interface to unclassified and classified data, digital videos, a summary of the latest and most important events inside that country, pertinent open source articles, CIA World Map data, etc.

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Along with its ease of use, other great features of the "CIA Connect to the World" Web site included access to live analysts, chat rooms, and instant messaging. For example, a policymaker would send an instant message on a particular question he was interested in. A DI officer would either answer the question, point the official to another analyst or Web site or offer to do some research and promise to get back to the customer right away. The service representative would be in contact with other DI analysts capable of answering the question or questions. The Web site also permitted Internet conference calls with policymakers. As a result of "CIA Connect to the World," DI received numerous public and private sector awards.

Welch said E-business must become part of the DNA of the DI because it was a way to reinvent and transform the organization and greatly enhance productivity. He asked his top DI leaders to get "Internet mentors," preferably under the age of 30. He realized this was ironic since DI leaders were all expected to mentor more junior officers, but in this case, they were being asked

to be mentees! To anyone who grumped that he was guilty of "ageism," Welch pointed out that he had had two mentors himself; one of them was his long-time secretary, someone a good deal older than 30. Welch said that when his managers become more Internet savvy, he wanted to eventually shut down the "parallel paths" of on-line and off-line work-flow processes. In other words, he wanted the DI to eventually stop publishing finished intelligence products on paper and completely move to digitization. He also said that the day was coming when DI managers would be able to track in a Web page how many customers were reading a specific product, who these readers were, what agencies they represented, etc.—i.e., what he termed "quick market intelligence"—and thus be better able to anticipate policymakers' needs.

Six Sigma & Quality

Welch insisted that quality be a top priority in the DI. At another of his senior-level meetings, he chanted, "Quality is the next act of productivity. Out of quality, you eliminate reworking." To do this, he introduced the "DI Six Sigma Program." During a DI-wide audio/video conference, Welch said, "We want to change the competitive landscape by being not just better than our competitors but by taking quality to a whole new level. We want to make our quality so special, so valuable to our costumers, so important to their success, that

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our products become their only real value choice."

Welch explained that Six Sigma was a term used to characterize the number of defects occurring in products. Motorola pioneered the concept—building on earlier models of quality improvement efforts established in Japan—in the late 1980s and early 1990s to improve the quality of its products. Getting to a Six Sigma quality level meant furiously tackling "critical-to-quality" issues—those responsible for most failures—so that there were fewer than 3.4 defects per one million operations in a manufacturing or service process (or a 99.99966 percent success rate). As he did at GE, Welch created four groups of trained personnel to implement the DI Six Sigma effort: Champions, Master Black Belts, Black Belts, and Green Belts. For example, becoming a Green Belt only required a ten-day training session, while becoming a Black Belt required two-year project assignments. He insisted that DI office directors make their *best* people Six Sigma leaders.

One example Welch pointed to was GE Capital. It was fielding about 300,000 calls a year from mortgage customers, but nearly 25 percent of the callers had to leave voice mail messages or call back because GE employees were busy or unavailable to answer calls. After Six Sigma was implemented, customers' chances of getting through to a representative on the first try improved to 99.9 percent. He also held up GE

Plastics as a good example. GE Plastics produced 'Lexan' polycarbonate, which had very high purity standards, but it didn't meet Sony's requirements for new high-density CD-ROMs and music CDs. As a result, two Asian suppliers were getting Sony's business. A Black Belt Six Sigma team solved the problems and designed a change in the production process to give 'Lexan' the color and static qualities Sony demanded. By going from a 3.8 Sigma level to a 5.7 Sigma level, GE took all of Sony's business away from the Asian competitors.

As one of his first DI Six Sigma projects, Welch focused on reconstructing the DI product review process, a subject of discontent in the DI for decades. As such, it was a particularly good, although challenging choice. Senior DI managers and analysts, having been through transitory efforts to introduce Management by Objectives, Total Quality Management, and Business Process Reengineering, were highly skeptical, but many analysts hoped for a breakthrough. Welch sensed that mood early on as he watched the way in which his directorate responded to policymakers' questions. He saw that we were pretty good in answering rela-

tively simple ones—these we could answer quickly, usually in a day or two—but questions requiring more research and analysis took weeks, if not months, to answer. A DI analyst would draft a paper, and then it would sometimes be stuck in a review process for what he termed "an eternity." A DI Six Sigma team studied the review process and focused on "span"—a measurement of the difference between the exact time a customer wants a product and when it is actually delivered. Several key steps were introduced in the newly revised review process, but its linchpin involved moving from a largely paper editing process to an electronic one; it also involved improving collaboration and teamwork among analysts. Soon after, the time it took from when an analyst drafted his/her paper to the time the customer finally received it was compressed to an average of four working days (and this included all the necessary charts and graphics).

Within a year of the introduction of Six Sigma, the DI was working on more than 200 projects, a number that grew steadily in the years that followed. About 10 percent of DI managers became "Black Belt" trained during the first two years. That number grew to 30 percent by the time Welch left. Welch said that the DI would no longer consider anyone for a management position who had not finished at least Green Belt training (i.e., a ten-day training course).

Training Managers & Building Expertise

Although Welch initially focused on improving the quality of DI products and processes, he didn't take long to begin focusing on the people who produce the products. Welch said that no other issue came close to the passion he has for making "people" the core competency of the DI. He said that the DI should build great people, who would then build great products and services. I remember Welch absolutely loved attending meetings involving personnel issues. I don't know anyone who loved spending 8 to 10 hours of heated discussion just so he could come away with a better sense of the talent in the DI.

In particular, Welch felt that training managers to be more effective was of utmost importance. He was surprised that managers in the public sector tended to be subject matter experts who seldom trained in management skills, unlike managers in the private sector, who spend years studying how to become effective managers. Welch brought in many outside experts (particularly from GE) to CIA University (CIAU) and created the Executive Development Course for managers with the highest potential, the Business Management Course for mid-level managers, and the Management Development Course for fast-trackers early in their DI careers. As he did at Croton-ville—the GE management development center near Ossin-

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ing, New York—Welch taught once or twice a month at CIAU for up to four hours at a time. He once commented that although he did this to teach, he often learned as much as he offered. He envisioned having many of his top leaders teach there as well.

At the same time, Welch made a sincere effort to increase subject matter expertise in the DI, because he felt that improvements in the quality of his analysts would directly translate into higher quality product lines. For example, Welch decreed that DI analysts must frequently travel to the country they're analyzing, and he successfully obtained a significant line budget increase to meet this requirement. Welch also suggested that analysts not be promoted to GS-13 or GS-14 without first having served a tour in the country or region they analyze and learned to speak an appropriate foreign language at a working level. For military analysts, of course, this requirement translated into service at a regional military command or overseas military post. Welch successfully negotiated with the Directorate of Operations, the State Department, the Department of Defense, and other agencies to greatly expand his

analysts' rotational assignment opportunities.

Welch also increased creative efforts to improve subject matter expertise. He astronomically expanded the number of fellowships available in the DI to university professors and other research specialists. He felt that analysis would be greatly enhanced by outside experts sitting alongside analysts. Welch also encouraged his analysts to develop closer relationships with experts in other government agencies and in the private sector and to frequently visit them. Furthermore, Welch suggested that the DI outsource many of its studies to the private sector to get differences in opinion.

Downsizing the "Neutron Jack" Way

Arguably, Welch's most controversial move was the downsizing of the DI. At GE he was fond of saying: "Downsize before it's too late." He hated bureaucracies and felt that the Agency should operate like a network of small businesses. He felt that even in good times, all organizations should regularly review expenses and the number of its personnel. For example, Welch told me he downsized GE during one of its most healthy stages, earning him the nickname "Neutron Jack" (the guy who removed the people, but left the buildings standing). He hated this nickname, and it hurt, but he said he hated bureaucracy and waste even more.

At GE, Welch insisted that all businesses be number one or number two, or "fix, sell, or close." He added he learned over the years that there were glaring exceptions to this rule, but he wanted the DI to follow the spirit of this principle. He said that good businesses have to be sorted out from the bad ones. During one of his frequent roundtable lunch discussions with DI analysts, Welch ruffled quite a few feathers when he said the DI has the tendency to overanalyze an issue or to take on too many "nice to know, but not critical" issues. For example, he said that a significant number of DI products have very few customers. He exclaimed, "We shouldn't be bothering our very busy policymakers with obscure or hypothetical subjects on a country whose location most of us don't even know." Unless a specific DI issue met a certain threshold of policymaker interest, he said that the manager responsible for it should "fix" it or "close" the office down. He said there were too many other more important issues to which DI analysts could be surged.

When Welch began downsizing and closing offices and accounts, some DI managers complained, "You'll kill morale and you'll never be able to mobilize on this issue if it ever gets really hot." Other DI managers complained, "You've already cut all the fat out. Now you're into bone and you'll ruin the organization if we cut more." Welch said that both arguments were weak. He responded to his critics, "I've

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never seen a business ruined because it reduced costs too much, too fast. When good times come again, I've always seen business teams mobilize quickly and take advantage of the situation." Welch felt it was wrong that the system in place in the public sector rewarded managers for being "empire builders" and not for downsizing, for expanding services and not for cutting costs. He said he would continue to downsize, even if it risked congressional budget cuts in the near term. Welch had his own ideas for expanding in other areas, but he insisted that before he could do that he needed to make the directorate as lean and efficient as he could.

One day, in one of his most controversial moves, Welch also proposed cutting out an entire layer of management in the DI. He justified this by saying, "Delayering speeds communication." He added, "As we became leaner at GE, we found ourselves communicating better, with fewer interruptions and fewer filters. We found that with fewer layers we had wider spans of management. We weren't managing better. We were managing less, and that was better." He even caused much heartburn when he

suggested DI managers should also consider drafting analytic papers instead of just editing them. He said, "Many believe we need more analysts in the DI. Perhaps this is true. Or perhaps, what we really need is less management."

An idea Welch was forced to abandon was his introduction of the concept of "managing by differentiation." "Winning teams come from differentiation, rewarding the best and removing the weakest, always fighting to raise the bar," he argued. Welch felt the DI should spend the next few years building a performance culture, and, when ready, begin systematically and frequently removing the bottom 10 percent of analysts and managers. He stressed, "Lifetime employment is a failed strategy. I shouldn't have agonized as long as I did at GE on so many people who weren't going to cut it." However, Welch stood down after unhappy HR managers reminded him that government employees enjoy many civil protections and that the CIA could not risk large numbers of disgruntled employees because of counterintelligence concerns. One fuming HR manager even told him to his face, "I can't agree with you that lack of job protection is a good thing—in government or in business. For example, people complain that Generation Xers have no loyalty. I think what is really going on is that Generation Xers can't be completely loyal because they feel that their employers won't be loyal to *them* during an economic downturn."

Final Thoughts

Welch had a profound impact on the DI. He encouraged change to improve the way the DI did its business. He was passionate about creating the free flow of ideas in his "boundaryless organization." He instituted creative products our customers raved about, and he leveraged exciting, cutting-edge technology to increase the connectivity of DI customers and analysts to each other and to their products. He greatly enhanced quality and awareness of approaches to improving quality using the Six Sigma program. He reengineered the DI review process, promoted better training for managers, and pushed to

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increase the subject matter expertise of his analysts.

For all his success in the DI, Welch became increasingly frustrated that some of his ideas couldn't be readily implemented. He encountered a lot of opposition in trying to downsize the DI, reduce management levels, and introduce "management by differentiation." His zeal to create a

better organization sometimes caused him to forget that government and business methods did not always mix well. Overall, I think Welch will be fondly remembered as a great DDI because he was an agent of many successful and creative initiatives.[1]

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[1] The quotations attributed to Welch in this conceit come from one of the following: Jack Welch and John A. Byrne, *Jack: Straight from the Gut* (New York: Warner Business Books, 2001); Robert Slater, *Jack Welch and the G.E. Way: Management Insights and Leadership Secrets of the Legendary CEO* (New York: McGraw-Hill Trade, 1998); *idem., Jack Welch on Leadership* (New York: McGraw-Hill, 2004); Jeffrey A. Kramer, *The Jack Welch Lexicon of Leadership: Over 250 Terms, Concepts, Strategies, and Initiatives of the Legendary Leader* (McGraw-Hill Trade, 2001).